

Message Text

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ACTION EB-11

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POUCHED ALL CONSULAR POSTS IN CANADA

E. O. 11652: N/ A

TAGS: ENRG, ETRD, CA, US

SUBJECT: EXPORT CONTROLS IMPOSED ON PETROLEUM PRODUCTS

BEGIN SUMMARY. MINISTER OF ENERGY, MINES AND RESOURCES
MACDONALD ANNOUNCED IN HOUSE OF COMMONS JUNE 14 IMPO-
SITION OF " TEMPORARY CONTROLS" ON EXPORTS OF MOTOR
GASOLINE AND HOUSE HEATING OIL. SAID DECISION MADE
BY CABINET EARLIER IN DAY. END OF SUMMARY.

1. MACDONALD SAID, " THIS MOVE WILL ENSURE THAT UNUSUAL
EXPORT DEMAND FOR THESE PRODUCTS DOES NOT IMPAIR
SUPPLIES TO CANADIAN CONSUMERS. DURING DEBATE IN
HOUSE MAY 28 ON SUBJECT POSSIBLE CONTROLS, I STATED
GOVERNMENT HAD THIS MATTER UNDER REVIEW. I ADDED THAT
IT WAS HOPED THAT CONSULTATIONS WITH REFINERS WOULD
RESULT IN AGREEMENTS SUITABLE TO THE NEEDS OF
CANADIAN MARKET. DURATION OF TEMPORARY PERIOD WILL BE
RELATED TO IMPROVEMENT IN INTERNATIONAL SUPPLIES OF
REFINED OIL PRODUCTS AND ALSO TO THE EXPANSION OF
REFINERY CAPACITY IN EASTERN CANADA. IN CONCLUDING,
I WOULD REMIND HOUSE THAT EASTERN CANADA IS NECESSARILY
DEPENDENT ON INTERNATIONAL PETROLEUM ECONOMY. IMPORTS
OF REFINED PRODUCTS CONTINUE TO BE REQUIRED.

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PARTICULARLY IN CASE OF HEATING OILS, THEY WILL NOT BE EASY TO OBTAIN THIS YEAR, BUT GOVERNMENT EXPECTS CANADIAN OIL COMPANIES WILL MAKE EVERY EFFORT TO ENSURE THAT WE ENTER HEATING SEASON WITH ADEQUATE INVENTORIES."

2. MACDONALD CONTINUED, " NATIONAL ENERGY BOARD (NEB) HAS BEEN IN CONTACT WITH REFINERS BUT WAS UNABLE TO GET UNIVERSAL ACCEPTANCE OF WILLINGNESS TO LIMIT EXPORTS OF SUPPLIES IN QUESTION. FURTHER, A SIGNIFICANT PORTION OF EXPORT TRADE IS IN HANDS OF INDEPENDENT JOBBERS WHOSE INTEREST, UNDERSTANDABLY, IS IN DEVELOPMENT OF PROFITABLE TRADING OPPORTUNITIES AND WHO, THEREFORE, ARE LESS RESPONSIVE TO PERSUASION BY NEB. BECAUSE OF VERY SUBSTANTIAL DIFFERENCES WHICH EXIST BETWEEN AMERICAN AND CANADIAN PRICES, THERE WAS NO ASSURANCE THAT EXPORTS OF THESE PRODUCTS COULD BE VOLUNTARILY LIMITED AT THIS TIME. GOVERNMENT, ON ADVICE OF NEB HAS THEREFORE DECIDED TO IMPOSE EXPORT CONTROLS FOR A TEMPORARY PERIOD. REGULATIONS COVERING THIS WILL BE TABLED LATER... I ALSO WISH TO ANNOUNCE THERE WILL BE REPEAL OF IMPORT RESTRICTIONS ON MOTOR GASOLINE."

3. RESPONDING TO MACDONALD, NEW DEMOCRATIC PARTY AND PROGRESSIVE- CONSERVATIVE ENERGY CRITICS TOMMY DOUGLAS AND ALVIN HAMILTON CRITICIZED GOC FOR NOT IMPOSING EXPORT CONTROLS EARLIER. DOUGLAS SAID (A) EXPORT LIMIT MUST BE BELOW APRIL LEVEL OF 18 MILLION GALLONS TO BE EFFECTIVE; (B) CALLED FOR TWO-PRICE SYSTEM WITH OIL PRICES CONTROLLED ONLY FOR DOMESTIC CONSUMPTION, AND (C) RAISED PROBLEM OF ASSURING SUPPLIES OF IMPORTED US PRODUCTS REFINED FROM CANADIAN CRUDE, FOR AREAS IN BRITISH COLUMBIA AND EASTERN CANADA. WHILE WELCOMING GOC MOVE " TO STOP MONKEYSHINE THAT HAS BEEN GOING ON WITH PRICE OF GASOLINE AND HEATING FUELS IN CANADA THESE LAST FEW WEEKS," HAMILTON EXPRESSED CONCERN OVER EFFORTS TO PROMOTE MORE REFINING IN CANADA. HE ALSO SUGGESTED MACDONALD DROP " BIG DEALS WITH OECD" TO MEET SHORTAGES AND NEGOTIATE BILATERAL DEAL WITH VENEZUELA.
SCHMIDT

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